



Sustainability Review 2006

leadership in formulation science

ICI is one of the world's leading coatings, adhesives, starch and synthetic polymer businesses with products and ingredients developed for a wide range of markets.

Our vision is to become the leader in formulation science. We have, and will continue to build, a portfolio of businesses that are leaders within their respective industries, bringing together outstanding knowledge of customer needs with leading edge technology platforms to create and deliver products that provide superior performance.

As a result of significant and sustained performance improvement, we aim to be one of the leading creators of shareholder return in our industry, without compromising our commitment to safety, health and the environment and the communities in which we operate.

01	Welcome
02	Highlights – 2006 performance
03	ICI Group
04	Managing sustainability
06	Our business operations
07	Our people and health & safety
09	Our environmental performance
12	Our customers and product supply chain
14	Our external relationships
16	Sustainability performance data
17	About our data
17	Summary verification statement

More detailed information

This review is intended to provide an accessible overview of our sustainability strategy and performance. For more detailed information, please visit our website at www.ici.com/sustainability

Feedback

If you would like to comment on our performance or reporting, or raise questions, please contact:
Dr Frank Rose
Group Vice President, Sustainability
ICI plc
20 Manchester Square
London W1U 3AN, UK

Words within single quotation marks within the text of this document, as well as the letters ICI, the Roundel device, National Starch, Quest and Uniqema are trademarks of the ICI Group of companies.

Welcome to the ICI 2006 Sustainability Review

“We will continue to develop our sustainability thinking and practice – both because we believe it is right in itself and because we believe it is right for our business. To the extent that this involves us in a wider debate, we will be happy to participate.”



Peter B Ellwood CBE
Chairman



John D G McAdam
Chief Executive

2006 was the first year of Sustainability Challenge 2010, the fourth of our five year programmes designed to improve our sustainability performance. We have been reporting on sustainability issues and performance since 1991 and over the intervening years we have made substantial progress. A combination of efficiency improvement and changes in our business portfolio has resulted in reduction of energy consumption by 90%, greenhouse gas emissions by 96% and hazardous waste to land by 97%.

Also over this period, we have continued to broaden our definition of sustainability in line with our changing business portfolio and the growing awareness of, and interest in, sustainability issues. In 2006 the ICI Board approved ‘The ICI Way’, which integrates the essential components of a socially responsible, environmentally sound and economically viable business. We also continue to embrace the principles of the UN Global Compact to promote responsible corporate citizenship.

Today, sustainability is integral to how we run our business – the way we treat our people, the way we interact with the environment through the development, manufacture, distribution and use of our products, and the way we engage with all of our stakeholders – employees, customers, investors, suppliers and the wider communities in which we operate.

2006 saw further progress across a broad range of areas. However, it is with great regret that we have to report that two independent contractors died while working on our behalf. These were the first fatalities involving operations, rather than motor vehicle incidents, since 2000.

Sustainability Challenge 2010 presents us with a number of demanding objectives to be met in the next few years. We remain convinced that the principles of sustainability are not just right in themselves but underpin an efficient and competitive way to do business.

Highlights – 2006 performance

2006 was another year of progress as we made a good start on delivering the performance improvements set out in Sustainability Challenge 2010. During 2007 we will be reviewing and stretching a number of these targets.

Injury and illness – employees/
supervised contractors

down
10%

on 2005 rate

Water use

up
1%

per tonne of production
on 2005 rate

Greenhouse gases

down
2%

per tonne of production
on 2005 rate

Hazardous substances to air

down
27%

per tonne of production
on 2005 rate

Management nationality diversity

53%

managers of nationality
other than US/UK/Holland

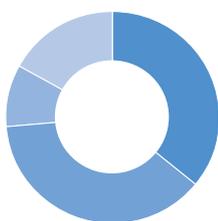
Community involvement

5.9

equivalent hours
per employee

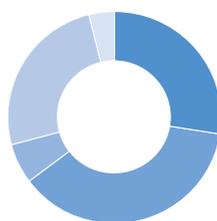
Group information

Paints



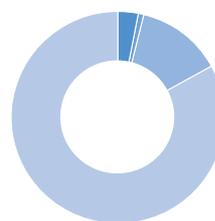
- 36% Europe
- 38% North America
- 9% Latin America
- 17% Asia

National Starch



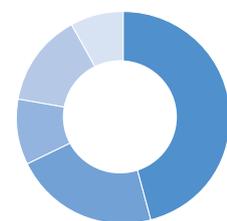
- 28% Europe
- 37% North America
- 6% Latin America
- 25% Asia
- 4% Other

Regional and Industrial



- 3% Europe
- 1% North America
- 13% Latin America
- 83% Asia

Quest



- 46% Europe
- 22% North America
- 10% Latin America
- 14% Asia
- 8% Other

ICI Group

The ICI Group is one of the world's leading coatings, adhesives, starch and synthetic polymer businesses with products and ingredients developed for a wide range of markets.

National Starch

National Starch and Chemical Company markets an extensive product range in sectors as diverse as food, healthcare and construction. Four main divisions are grouped around adhesives, specialty starches, specialty synthetic polymers, and electronic materials. National Starch is headquartered in the USA, with manufacturing and customer service centres in 39 countries.

Revenue: £2,023m
 Trading Profit: £242m
 Return on Capital Employed: 16.1%
 Employees: 8,920

ICI Paints

ICI Paints has some of the world's leading paint and decorative product brands. It aims to inspire consumers to transform their surroundings at home and work with performance and colour. The business makes products to prepare and care for many building materials and provides coatings for cans and packaging. ICI Paints is headquartered in the UK with manufacturing in 24 countries.

Revenue: £2,414m
 Trading Profit: £257m
 Return on Capital Employed: 24.6%
 Employees: 15,010

Regional and Industrial

ICI has a number of Regional and Industrial businesses that are essentially local in scope. Principal operations are in Pakistan and Argentina and include the manufacture of pure terephthalic acid, polyester, sulphur-related chemicals, wine chemicals and soda ash.

Revenue: £431m
 Trading Profit: £37m
 Return on Capital Employed: 15.6%
 Employees: 1,890

Quest

Quest creates and markets flavours and fragrance concepts and solutions for the fast-moving consumer goods industries. In November 2006 ICI reached an agreement to sell Quest to Givaudan SA.

Revenue: £588m
 Trading Profit: £61m
 Return on Capital Employed: 13.2%
 Employees: 3,340

Our vision is to become the leader in formulation science, creating complex mixtures that deliver the effects valued by consumers and customers. To achieve this leadership goal, and through this deliver superior returns for shareholders, the Group is building a portfolio of businesses that are leaders in their respective industries, bringing together consumer understanding, outstanding knowledge of customer needs and processes, and leading-edge technology platforms to create and deliver products that provide superior performance.

At the start of 2006, the Group comprised National Starch, ICI Paints, Quest and Uniqema as well as a number of regional and industrial businesses that are essentially local in scope. However, there were several major strategic moves made during the year that will have a

significant impact on ICI going forward. In September 2006, we completed the sale of Uniqema, our oleochemicals and derivatives business, to Croda International for £410m. In November, we announced the proposed sale of Quest to Givaudan, the market leader in flavours and fragrances, for £1.2bn. As a result of these divestments, we can now invest in strengthening the competitiveness of our core businesses.

On a comparable basis – that is, including continuing operations only – Group trading profit grew by 5% in 2006 to £502m on sales that rose 5.3% to £4,845 million. The sustainability data in this review excludes Uniqema but includes the performance of Quest.

Listed on the London stock exchange, ICI had approximately 29,000 employees in 2006 with operations in more than 50 countries.



▲ 'Dulux' is one of the world's best-known decorative paint brands with a strong presence in Asia, a fast-growing market for paint.



▲ National Starch's 'EASY-PAC' gives customers the lowest temperature packaging adhesive on the market along with low-maintenance application technology.



▲ 'Hi-maize' is a fast-growing range of slowly digestible starches that act as dietary fibre when added to foods, from bread to breakfast cereal.



▲ ICI Paints scientists have reformulated 'Cuprinol' exterior wood treatment into a popular, easy-to-apply sprayable format.



▲ Elotex's specialty construction polymers are in demand in China's fast-growing construction market.



▲ Specialty polymers from National Starch give fixative, conditioning, thickening, aesthetic or convenience properties and characteristics to hair care and skin care products.



▲ Alco Chemical's unique natural, starch-based polymers provide effective and environmentally safe treatment for effluent water.



▲ "We know the colours that go", 'Dulux' UK's 2006 advertising campaign, helped support further growth in a challenging DIY market.



▲ Ablestik is a world-leading supplier of adhesives that connect and protect integrated circuits in phone cameras, MP3 players, computers and electronic game systems.



▲ ICI's paints are market leaders in Argentina and Uruguay with a strong number two position in Brazil.

Managing sustainability

At Group level an executive director on the ICI Board is responsible for sustainability, supported by a Sustainability Board comprising senior managers from each business and function. Day to day sustainability activity is integrated into business operations.

In 2002 ICI adopted a Group sustainability policy, incorporating the existing safety, security, health and environmental (SSHE) policies and Code of Conduct. The Executive Director responsible for SSHE at ICI Board level took on a wider sustainability role. In 2004 a Sustainability Board was established, comprising senior managers from each business and function across the group and chaired by the Group Vice President, Sustainability. Its role is to develop further our sustainability strategy and oversee the progress of our sustainability programmes; programmes which are implemented and managed at individual operating business level. Recent changes in the business portfolio have led to the Chief Executive, John McAdam, personally taking up the sustainability portfolio on the ICI Board.

The Group has an internal recognition programme for sustainability excellence and the Chief Executive gives an award each year to the top performing team in five categories: safety, health, environment, product stewardship and community involvement. ICI's Chairman chooses one of these winners to receive ICI's top sustainability award. From 2007 we will extend the awards to include a category for employee practices.

Sustainability Challenge 2010

In developing our objectives for Sustainability Challenge 2010, we were keen to pursue an approach that was as inclusive and consultative as possible. The Sustainability Board led a project involving members of the Executive Management Team, each of the Business and Functional Boards and a range of other internal and external stakeholders. Facilitated by Forum for the Future, a UK-based sustainable development organisation, this process helped each of our businesses and functions to identify key stakeholder issues together with sustainability risks and opportunities in each of the following areas:

- Our Business Operations
- Our Employees (including Health & Safety)
- Our Environmental Performance
- Our Customers and Product Supply Chain
- Our External Relationships

We have also established a Stakeholder Review Group, including investors, academics and non governmental organisations (NGOs) who have tested and challenged our Sustainability Challenge 2010 objectives, and we will further develop our targets as the Challenge period progresses.

Results for each objective are reported in full every year on ICI's corporate website (www.ici.com/sustainability) and we will continue to employ an external organisation to verify independently all the data used in our public reporting.

Stakeholder Review Group

The agenda for the first session of the Stakeholder Review Group included an examination of ICI's current performance and the broad contents of Sustainability Challenge 2010 as well as a consideration of ways in which ICI could use its product range, expertise and influence to have a positive impact on some key sustainability challenges.

In summary, the external stakeholders were impressed by the performance improvements already achieved by ICI and by the depth of our sustainability thinking. However, they challenged us to be bolder in a number of areas, in particular to:

- position ICI as a sustainability leader
- include step changes as well as incremental improvements in our targets
- communicate success more widely
- use the ICI name to influence within and beyond our industry
- use our brands to bring more sustainable products to market
- make a real impact on communities by further focusing our activity
- use our skills and knowledge to advance the sustainability agenda
- make it clear that ICI aims to operate 'in a sustainable way', but has not yet achieved that goal

We will be evaluating this feedback as we move forward in 2007 and will report on our progress.

Members of group

Polly Courtice *Director Cambridge Programme for Industry*

Jean-Paul Jeanrenaud *Head of Business and Industry Relations WWF International*

Peter Madden *Chief Executive Forum for the Future*

Shalini Mahtani *Founder and CEO Community Business Hong Kong*

Rory Sullivan *Head of Investor Responsibility Insight Investment*

Charles Knott *Chairman and Chief Executive of Quest International and ICI Board Member – no longer with ICI*

Rolf Deusinger *Executive Vice President Human Resources & ICI Executive Management Team member*

Frank Rose *ICI Group Vice President Sustainability*

Elizabeth Stokes *ICI Sustainability Manager*

Facilitator *Oliver Dudok van Heel Living Values*

Risk management

We do not see Sustainability Challenge 2010 merely in terms of risk avoidance. However sustainability considerations are an integral part of the Group's risk management process.

Each business and major function identifies individual issues – social, ethical and environmental – which are then reviewed by the Group Risk Committee, comprising senior managers from the businesses and functional leaders. Updates are conducted at least annually and a report is made to the Audit Committee which includes independent, external directors. The risk management process and the main risk factors are outlined in the Annual Report. Risk factors include:

- Compliance with regulations around the world
- Availability of raw materials, including energy
- Raw materials and product impacts
- Recruiting and retaining capable managers.

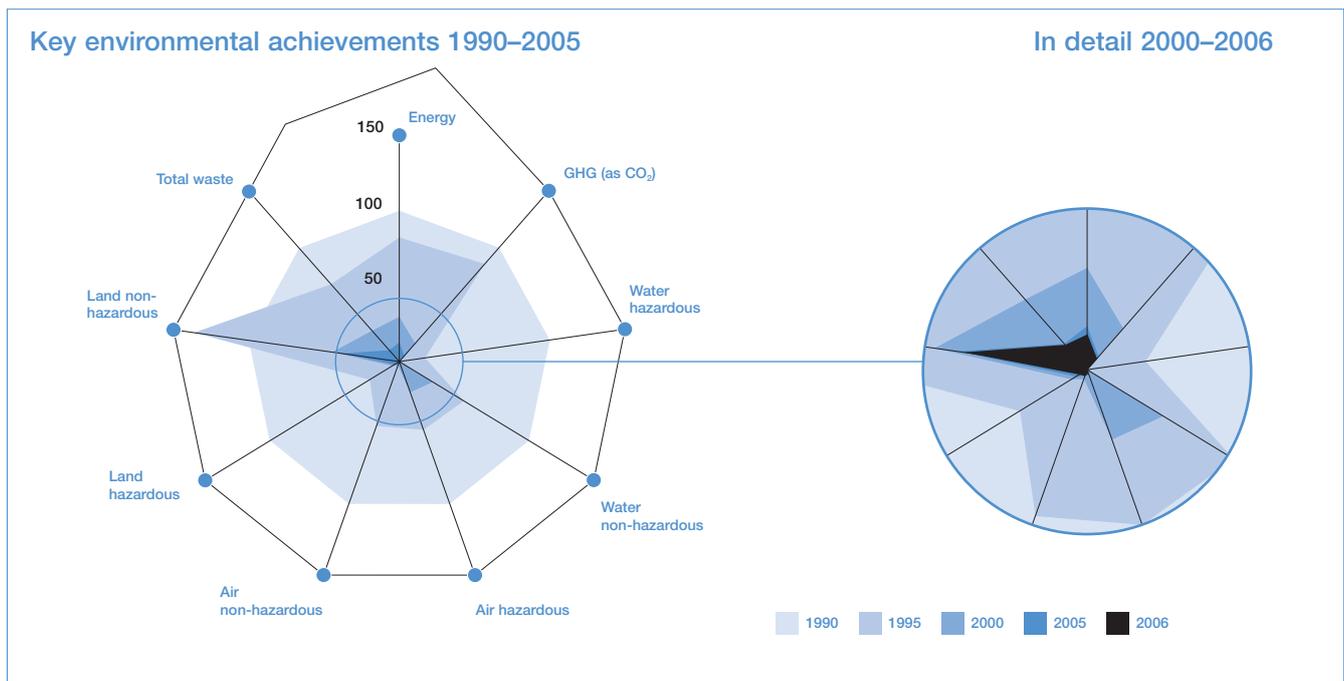
Linked to the overall risk management process is an issue management system. All areas identified as Group issues are allocated a Group issue manager who takes an overview of the issue and exposure, taking a forward view, and makes plans for mitigation. A number of the position papers are posted on our sustainability website. In some cases, for example the European Union's Registration, Evaluation and Authorisation of Chemicals (REACH) or pandemic preparedness, we form a working group with representatives from all of our businesses.

Management systems

The ICI Way, which encompasses all areas of our business operations, is underpinned by all the relevant global and framework policies – such as the ICI Code of Conduct and ICI Employment Principles – as well as detailed business and functional policies. These are all implemented through structured management and reporting processes, integrated within our normal activities. Far from being an added function, this is simply the way we do business.

The main process by which the Group manages safety, security, health and environment (SSHE) and product stewardship issues is the Responsible Care Management System (RCMS). This also covers some aspects of our relationships with the communities in which we operate. It sets out standards and guidelines as well as procedures for employee training, the reviewing and reporting of performance, and internal and external auditing.

Lloyd's Register Quality Assurance Limited continues to provide independent verification of our RCMS requirements, authenticating its compliance with the American Chemistry Council's revised Responsible Care Management System (2004) and Security Code of Management Practices (2002), ISO14001 and OHSAS18001, as well as the UK Responsible Care Codes and the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. In addition, 42 of our sites have been verified independently to ISO14001, 5 to OHSAS18001, 2 to SA8000, 125 to ISO9001 and 25 sites have independent verification of their SSHE management system.



The spider diagram indicates the absolute environmental footprint reported in the years 1990, 1995, 2000, 2005 and 2006. The data has not been adjusted for portfolio, since no 1990 data is available for the businesses purchased during the 1990s. The reductions have been made through both efficiency improvements during our five-year Challenge periods and through portfolio changes.

Our business operations

Legal compliance is our minimum requirement wherever we operate. Beyond that, we are committed to conducting our business with integrity, assessing the social, environmental and ethical risks associated with our business processes, and then taking action in line with our policies and standards.

Regulatory compliance

Corporate governance

Throughout the year, ICI has complied with the provisions set out in the UK Combined Code on Corporate Governance, and the Company is developing plans to ensure that it will comply with the requirements of the UK Companies Act 2006 as and when these become effective.

In addition, the Company was in compliance with the applicable rules and regulations arising from the USA's Sarbanes-Oxley Act 2002.

Antitrust

Compliance with antitrust (also referred to as competition) law is taken very seriously throughout ICI. For many years, all relevant personnel have been required to undertake regular refresher training. In 2003 ICI produced and rolled out an interactive antitrust law training programme, and in 2005/2006 a new e-learning package, developed in the USA, was used by more than 3000 employees. Similar packages for non-US jurisdictions are being developed in ten languages for roll out in 2007 to all employees who work with customers and suppliers, and their managers. Additional face-to-face training/coaching has been provided to senior managers.

During 2006 the European Commission announced that ICI would be fined €91m (£63m) for alleged cartel activity on the European methacrylates market between 1997 and 1999. The fine relates to the period of ICI's ownership of ICI Acrylics, which ended in 1999 when the business was sold. ICI cooperated fully with the Commission's investigation but has appealed against the fine to the European Court of First Instance. It may be some time before a date is set for the hearing of the case.

Safety, security, health and environment (SSHE)

During 2006 there were eight instances of breaches of environmental, safety or product regulations which resulted in prosecutions or fines totalling £10k. The largest of these was for odours from a waste water treatment plant. Each incident was investigated and appropriate action taken to share learning and avoid reoccurrence.

SSHE audits and training

We carry out routine detailed audits of all our facilities against the requirements of our Responsible Care Management System. Eighty-one audits took place in 2006. These included 32% involving cross-business representation and 25% with an auditor external to ICI. In a new initiative, we also brought together a total of over 165 professional SSHE and operations practitioners for a series of regional SSHE conferences designed to build networks, ensure common understanding of key issues, and share effective practices. In addition SSHE training covering leadership, behavioural issues and risk management was continued for line managers in all functions. A new programme for general managers will be introduced in Q2 of 2007.

Code of Conduct

We have reviewed our Group-wide Code of Conduct against external requirements and established good practice, and made minor updates. Simpler, more direct language has been used to make the Code more accessible to all employees, and a summary version is being translated into each of the 32 languages spoken across all of our sites.

New training material has been developed and preparations made for an e-learning programme and workshops which will be rolled out to all employees by the end of 2007.

Speak Up system

We continue to operate a confidential 'whistleblowing' system for employees, worldwide, to report illegal, unethical or improper conduct. Known as Speak Up, the system is operated by independent suppliers and can be accessed via a toll-free telephone number. All calls are fully investigated and acted upon where appropriate and the outcome is reported back to the caller. A summary report of all calls is provided to the ICI Board Audit Committee twice a year and updated information on key issues is communicated to all employees.

Throughout the year, a total of 96 calls were made. Where the investigation confirmed a legitimate complaint (28% of cases) appropriate action was taken. This included 16 disciplinary actions, including dismissal, as well as performance counselling and training.

Objective summary

SSHE audits

32% with cross business auditor

25% with external auditors

2010 target: 20% cross-business participation

Code of Conduct

Updated, and 2007 roll out planned

2006 target: Review and communicate updated

Code of Conduct

Speak Up system

96 calls all investigated with feedback to caller

2010 target: Monitor 'whistleblowing' calls and investigate outcomes

Our people and health & safety

Over the course of 2006, we achieved further reductions in work-related injury and illness rates and made significant progress in a project to transform our HR processes and delivery. We regret, however, that there were two contractor fatalities and contractor injury performance was below expectations.

Injury and illness

Our health and safety performance continues to improve but there is still much to do. In particular, it is with great regret that we have to report two independent contractor fatalities in 2006. In April, an independent maintenance contractor died due to lack of oxygen in a silo containing nitrogen as the 'fluidising' agent. In July, a second independent contractor fell through the 4.5 metre high roof of a product distribution centre onto the concrete floor below.

The full details of the investigations into these incidents, the root causes and improvement actions have been communicated through the SSHE and operations organisations and all sites have been instructed to review these and take whatever action is necessary to ensure that such events cannot happen again.

In Sustainability Challenge 2010, we set ourselves a demanding milestone of a Total Reportable Case (TRC) rate for injuries and illness of 0.56 for every 200,000 hours worked by employees and supervised contractors. This figure represents a 40% improvement on our 2005 performance. In 2006, we made progress towards this goal with a TRC rate of 0.79, a 10% improvement on 2005. Amongst independent contractors, there was an improvement of 1% in the TRC rate over the previous year.

These achievements reflect the variety of initiatives undertaken at local level in response to global policies and target-setting. When our Electronic Materials business planned to build a new manufacturing site in Shanghai, safety issues were addressed by designing and implementing a number of specific programmes covering contractor selection, training, auditing, meetings and discipline procedures.

The experience gained was then carried over to the expansion of a raw materials production facility in Salisbury, North Carolina (USA). There were no recordable injuries associated with these projects during the 359,000 hours worked.

Manual handling issues, driver safety and post-holiday periods are all important focus areas for further improvement. ICI Paints, Dulux Decorator Centres, based in Cheshire, UK, have achieved significant success in reducing the number of road traffic accidents by implementing a strategy which included appropriate driving training, robust driving policies and procedures, and a comprehensive communications programme.

Overall, our performance ranks favourably amongst the industry leaders and in the period since 1990, we have succeeded in achieving a substantial 90% reduction in employee work-related injury and illness rates. We are also pleased to record that there are ICI sites in Europe, Asia and the Americas that have reached or exceeded the milestone of 10 years without a lost-time injury.

Distribution incidents

There was an increase in the number of incidents involving distribution contractors in 2006; up to 30 from a figure of 26 in 2005 which itself represented a marked increase on previous years. A new metric for monitoring such incidents has been introduced which, based on the number of incidents per £bn of sales, is designed to encourage more efficient loads and help benchmarking against competitor performance.

Objective summary

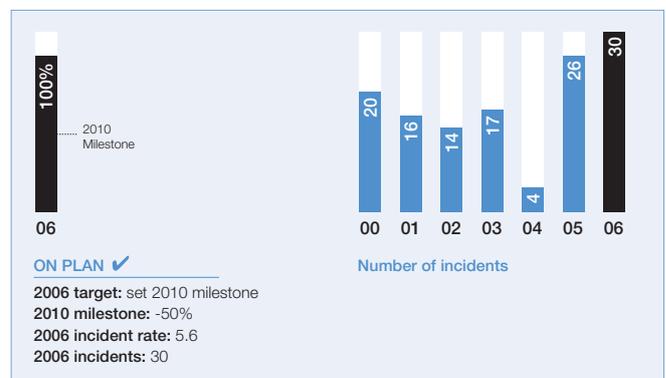
Injury and illness: employees/supervised contractors



Injury and illness: independent contractors



Distribution incident rate



Units: Total Recordable Case Rate (TRC) – percentage change from 2005. The Total Recordable Case Rate (TRC) is the number of injuries and illnesses, including fatalities, which result in time off work or restricted work or require medical attention beyond first aid, per 200,000 hours worked.

Units: Number of incidents per £bn sales value – percentage change from 2006. We use the definition of distribution incidents given by the European Chemical Industry Council (CEFIC). These incidents occur during the off-site (in transit) transport and handling of raw materials, products, samples, intermediates and wastes owned by ICI, including transfer between sites. Types of distribution incidents include injuries, spillages and leakages of chemicals, damage to property and public disruption.

Employment Principles

Work continued throughout the year on the worldwide Human Resources (HR) Excellence Programme which will implement a new HR structure across the Group. The aim is to provide deep functional expertise in all HR areas at the same time as ensuring that HR is intimately connected with our businesses and our business decision-making processes. The project will include a review of key performance indicators and metrics to report progress against our Employment Principles.

Diversity

ICI continues to attach great importance to, and to monitor, the diversity of its management population in terms of gender, ethnicity and nationality. During 2006 the group of about 1580 included 16% women (2005: 15%), 10% ethnic minorities in North America (2005: 10%) and in other regions 53% from nations other than USA, UK and Holland where our businesses are headquartered (2005: 54%). Full details are on the ICI website.

This commitment to diversity was demonstrated at a local level in a number of different ways. For example, National Starch in the USA continued to offer internships through the INROADS scheme which trains and develops talented, ethnically diverse, young people for professional careers in business and industry. In South Africa, Quest made significant progress towards achieving certification under the government's Broad-Based Black Economic Empowerment scheme.

People development

In line with our corporate strategy, we continued to make progress during 2006 in developing our employees' capabilities on a global basis.

Our focus in China, for example, included the China Academy, a programme of training and experience for general management recruits, and our new China Technical Centre (CTC). Currently under construction in Shanghai, CTC includes a China Applied Research Group (CARG) that has recruited science graduates from China's top universities and will post them to our existing research centres in the US and UK to gain experience in ICI's technology. The graduates will then transfer back to CARG which will become an important research hub within ICI's global research & development network.

Our New Horizons management development programme was run in three regions during 2006 with over 100 participants.

Performance review

There are performance appraisal systems in place in all businesses, with results linked to reward. We are making progress in being able to monitor data globally: the reported data represents about 64% of the population. Electronic systems are now in place for nearly all management and office staff: over 90% recorded assessments in 2006. In addition many production and ICI Paints stores staff have formal reviews. In total, over 50% of all staff in the areas measured had a recorded appraisal.

Internal recruitment

There are now open posting systems available world-wide designed to help those looking for new career opportunities and to streamline the hiring process for managers wishing to fill positions. The open posting system in Europe is well established, and in May 2006, this was extended to Asia Pacific and Latin America. Since then 297 jobs have been posted, 4,184 employees have visited the site and 83 applications made. This is linked to a new website set up by the HR Shared Services group dedicated to the North America region.

Employee surveys

We remain committed to the belief that communication and consultation are essential for maintaining good employee relations, and we have established a target to invite all employees to participate in a business or regional survey every three years. In the past three years, 87% have been invited to participate in a survey (three years to 2005: 96%).

Such surveys are of most value when they identify improvement areas for action. Acheson Industries, based in Holland, decided to benchmark with National Starch's facility in Indianapolis, USA, which had already been successful in generating positive outcomes from consulting their employees. This collaboration resulted in a new focus on innovative thinking, multi-level communication exchanges, audits and reviews, and the importance of maintaining a positive momentum.

Objective summary

Performance review

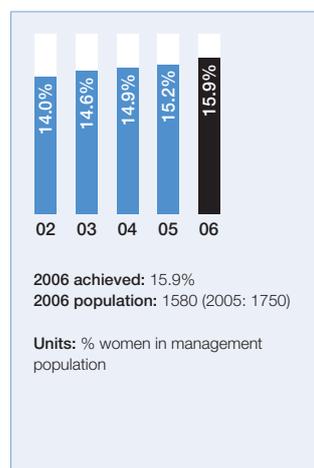
90%
management staff

53%
all staff

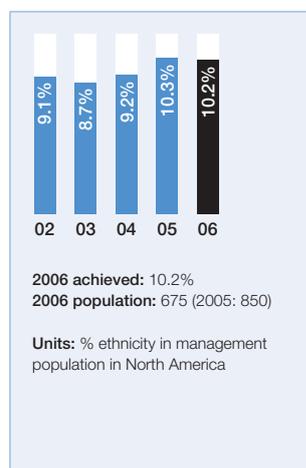
Employee surveys

87%
all staff in the last three years

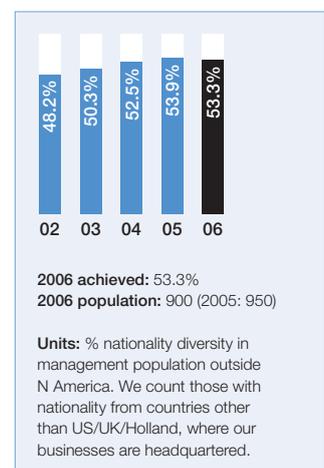
Management gender diversity



Management ethnic diversity



Management nationality diversity



Our environmental performance

2006 was another good year for reducing our environmental footprint and these achievements come on top of the substantial reductions achieved in Challenge 2005. The only area behind plan is in reducing our water usage.

Long term view

Our Sustainability Challenge 2010 performance should be viewed in the light of performance since 1990 – the reductions achieved since then have been dramatic. As a result of efficiency improvements and changes in our business portfolio, we have reduced absolute energy consumption by 90% (20% due to efficiency improvements), greenhouse gas emissions by 96% (51% due to efficiency) and hazardous waste to land by 97% (54% due to efficiency).

Climate change

We have made a solid start to the Challenge period with energy per tonne production down by 3% and greenhouse gases down by 2%. Our Operations Board, responsible for manufacturing, launched an energy reduction project during the year as part of our goal to deliver continuous improvement in our environmental impact and operating costs. The focus is on medium sized sites, representing 35% of our energy use, each of which is setting stretch improvement objectives ahead of our Sustainability Challenge 2010 target of 5% reduction per tonne of production.

In addition, a large number of individual projects and initiatives designed to reduce our energy usage have been implemented throughout our businesses worldwide, reflecting the strength of commitment to environmental responsibility at all levels of the organisation. For example, in Belgium, 29 Emerson & Cuming employees took part in a campaign to bicycle to work rather than drive by car. Collectively, they cycled 15,897 kilometres and, as a result, helped reduce CO₂ emissions by an estimated 3,179 kg.

New market opportunities

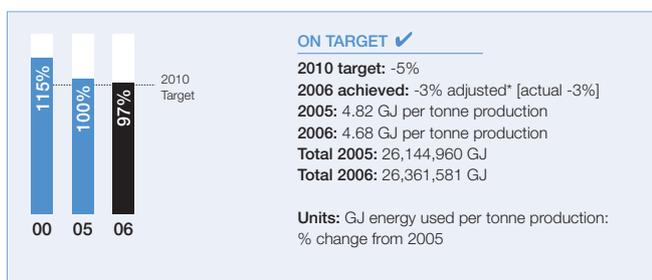
The starch production process at our Hamburg facility includes two co-products which had been mixed and sold for the animal feed market. One of the drying steps for this mixing released a strong odour which had led to complaints from residential neighbours and a request from the environmental authorities to find a solution. Different technologies were evaluated but would all have involved an increase in energy consumption and CO₂ emissions as well as significant capital expenditure.

Working closely with potential customers, marketing and manufacturing staff devised a solution that involved selling the products separately. This was implemented within six months with results that exceeded expectations. In addition to eliminating the odour, carbon dioxide emissions were reduced by 10%, sulphur dioxide emissions eliminated and substantial savings made in utility and operating costs.

We have again reviewed our CO₂ emissions from staff travel and product distribution, based on data already available, and are now evaluating ways to monitor this on a routine basis.

Objective summary

Energy use

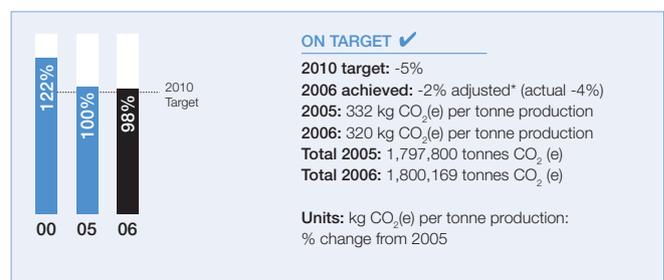


Our energy use from all sources including purchased electricity, divided by production tonnage.

In 2006, 3.8% energy came from renewable sources [2005: 3.1%]

*adjusted for product mix – see 'About our data', page 17 and on the website.

Greenhouse gases



Our greenhouse gases are comprised of process emissions from manufacturing and combustion emissions from the energy we use. These are not limited to GHG Protocol gases. The global warming impact of different gases is expressed in terms of the equivalent amount of CO₂ that would have the same effect – CO₂(e).

We have incorporated some changes in burden factors. For details see 'About our data' on the website.

Based on the Greenhouse Gas protocol, our emissions are:
 Scope 1 (direct): 830,664 tonnes CO₂(e) [2005: 841,558 tonnes CO₂(e)]
 Scope 2 (indirect energy): 829,915 tonnes CO₂(e) [2005: 805,758 tonnes CO₂(e)]

Air

Reductions in air emissions were achieved across the board in 2006 compared to 2005 levels. Hazardous substances to air were down by 27% per tonne of production, acid gases by 8%, ozone generators by 5% and ozone depleters by 25% – a figure that represents less than 1% of our 2000 levels, all due to efficiency improvement, and equates to a total equivalent of 40kg of CFC11(e).

It is sometimes the case that action taken to solve one particular problem can result in additional benefits. When ICI Argentina was faced with the need to reduce acid gas emissions from their sulphuric acid plant in San Lorenzo, they worked with an external specialist to develop a new technology for processing the stack gas stream. As a result, they are on target to achieve substantial reductions in SO₂ and hazardous substance emissions and the elimination of SO₃ and acid mist. The new process also has had the added advantage of producing sodium bisulphite for which there is a valuable, existing market.

Water

Whilst we have to report a small (1%) increase in water usage per tonne of production, we achieved an important 9% decrease in aquatic oxygen demand – our indicator for the impact of discharges. Significant progress has also been achieved by individual sites. In late 2004, Quest Fragrance Ingredients in Mexico launched a major programme to reduce utility costs and environmental impact. In addition to making substantial reductions in energy use, the site succeeded in cutting their water consumption by 14% in 2006. This was achieved by a combination of recycling cooling water, eradicating water leaks, and undertaking workplace cleanliness projects which reduced the need for plant area washes.

Unplanned releases

During 2006 there were four unplanned releases which had the potential to impact the land, air or water around our sites. Two of these were airborne releases of titanium dioxide – a natural powder used in the manufacture of paint, whilst the other two resulted from operational problems at waste water treatment plants; one leading to a discharge of acid, the other to a high level of solids in the discharge.

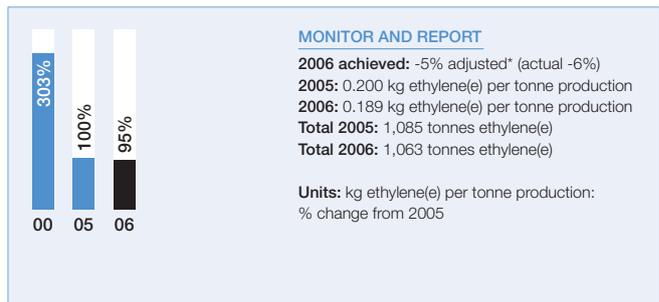
Objective summary

Acid gases



The release of gases with the potential to form acid rain, that can lead to localised acidification. Our acid gases are comprised of process emissions from manufacturing and combustion emissions from the energy we use. The impact of different gases is expressed in terms of the equivalent amount of SO₂ that would have the same effect – SO₂(e). See website for details of NO_x and SO_x emissions.

Potential ozone generators (including VOCs)



Ozone generators are mainly volatile organic emissions to air with the potential to form harmful ground level ozone, a precursor to smog. The impact of different gases is expressed in terms of the equivalent amount of ethylene that would have the same effect – ethylene(e).

Hazardous substances to air



Hazardous substances in this context are defined to be those considered to have carcinogenic potential. We have extended our reporting to include probable and possible human carcinogens in addition to known human carcinogens as classified by the International Agency for Research on Cancer. The impact of different gases is expressed in terms of the equivalent amount of benzene that would have the same effect – benzene(e). In 2005 the impact of benzene (based on the Workplace exposure limit) has been reclassified, causing a change in baseline. For details see 'About our data' on the website.

Potential ozone depleters

25% reduction from 2005 – total amount 40kg CFC11(e)

Ozone depleters are gases with the potential to deplete ozone in the upper atmosphere increasing ultraviolet radiation reaching the earth, which may cause health and other environmental effects. The impact of different gases is expressed in terms of the equivalent amount of CFC11 that would have the same effect – CFC11(e).

Land assessment

78% sites with Stage 1 reviewed within 5 years

We use a five stage risk management approach to assess possible land contamination. Stage 1 reviews the impact of past and present activities to identify if further checks are required.

Biodiversity projects

16 projects running on sites

Biodiversity projects, generally carried out following full surveys completed on 36 current ICI sites during the Challenge 2005 period.

*adjusted for product mix – see 'About our data', page 17 and on the website.

Land

Effective and innovative solutions to waste management throughout the year enabled us to significantly reduce the amount of waste disposal. Hazardous waste is down 10% per tonne production and non-hazardous waste by 8%, when we exclude stoichiometric waste, that is, non-hazardous waste which is unavoidably generated during the production of soda ash. We excluded this from our non-hazardous target to avoid masking improvements in other areas. If we include this waste, our non-hazardous waste per tonne production increased by 1%.

These improvements encompass our production sites and office and laboratory facilities. For example, in the Corporate Centre in London, as well as steps to reduce the generation of paper waste, 95% of all waste from the building is recycled, delivering annual cost savings as well. Innovative solutions include plastic cups converted to pencils which are then used in meeting rooms, and waste oil from the kitchen helps to power a refrigerated truck belonging to the caterer.

We continue to review our sites for potential soil or groundwater contamination and aim to update these assessments every five years. All sites with a history of production (155) have carried out Stage 1 assessment which reviews the history and the potential for contamination. With only 78% updated within five years, we are

working to achieve 100%. In over 60% of cases the Stage 1 assessment has indicated that no further work is required; 6% have completed the remediation required and further investigation or projects are in place on the remaining sites.

Following surveys conducted in the Challenge 2005 period, work was undertaken on 16 biodiversity projects during the year. Paints Maua site in Brazil is working with an environmental non-governmental organisation, SOS Mata Atlantica, and Sao Paulo University to carry out a ground-breaking project to re-establish the area surrounding the site to native Atlantic forest. This is not only the biggest forest project of its kind in Brazil, but will also improve the ground water supply to the surrounding area.

Value from waste

The ICI Paints Research & Technology facility in India have developed a multi-strand strategy to improve waste management involving a step change in housekeeping standards, the categorisation of waste streams, greater use of recycling, donations of waste paint to community organisations, and sales to vendors and employees. Average waste levels have been reduced by over 80%, additional revenues generated, and the image of ICI enhanced in the local community.

Objective summary

Water use



Water use per tonne is calculated from our total water use for production excluding water used on a 'once through' basis for non-process purposes, e.g. for cooling, and excluding water in the product. See website for a breakdown of water sources.

Hazardous waste



Local regulations determine which of our wastes are categorised as hazardous (i.e. poisonous to humans and animals or harmful to the environment if not disposed of properly). Our data includes all waste disposed of by all methods – recycling, landfill, incineration (with and without energy recovery), and other methods. See website data tables for the breakdown of disposal routes.

Aquatic oxygen demand



Aquatic oxygen demand (AOD) measures the potential of discharges to water to remove dissolved oxygen. It comprises chemical oxygen demand and ammonia. We measure or estimate the AOD in our effluent after it has been treated by ourselves or by others, to indicate the actual burden on the environment.

Non-hazardous waste



Non hazardous waste, includes all waste not defined as hazardous (as above). Our data includes all waste disposed of by all methods – recycling, landfill, incineration (with and without energy recovery), composting and other methods. See website data tables for the breakdown of disposal routes.

Our non hazardous waste reduction target for 2010 excludes stoichiometric waste, that is, non-hazardous waste which is unavoidably generated during the production of soda ash in a plant in Pakistan (0.1% group sales). Performance is calculated from the figures in brackets.

*adjusted for product mix – see 'About our data', page 17 and on the website

Our customers and product supply chain

An important element of our strategy for improving the sustainability performance of our businesses is to build long-term relationships with key customers and with suppliers who share our ethical and environmental values and aspirations.

Supplier/Supply chain assessment

The auditing of our priority suppliers is an excellent way to engage with them on the practicalities of defining and improving our product stewardship. During 2005, an extended assessment process, incorporating the 10 principles of the UN Global Compact, was piloted throughout the Quest business. 137 suppliers of raw materials were approached, representing 75% of materials used, and a full evaluation will be completed in Q1 2007. We plan to roll out such an assessment in all of our businesses in 2007/08.

Throughout the year, 309 key suppliers were assessed using the current safety, health, environment and product stewardship assessment process. The assessment reviews policies, procedures and performance, including external certifications and improvement plans. Each of our businesses is currently reviewing its 'key supplier' list and, in future, we will be reporting assessments as a percentage of key suppliers identified.

Assessments of our distribution suppliers in 2006 included 122 warehouses, 191 hauliers and 98 toll manufacturers. This represented approximately 59% of the total number of suppliers in this category for Paints, Quest and Regional & Industrial businesses.

Procurement code

Due to the sales of the Uniqema and Quest businesses, who were leading this activity, the drafting and roll out of a new Procurement Code has been delayed. However, it is an important element on the Procurement Board programme for 2007.

Customer projects

Joint activities to improve product functionality and performance take place as a normal part of our partnerships with customers. For Sustainability Challenge 2010 we have decided to monitor those projects which had the prime objective of improving product stewardship performance: 111 customer projects were undertaken during 2006. Outcomes included a new formulation to reduce the energy required in one customer's process, and a joint activity to agree appropriate standards for a market in which the regulatory framework is not yet fully developed. The Life Cycle assessment project described on page 13 is another example.

Supplier assessment

During 2006, the importance of effective supplier assessment was underlined by an allegation that one of our suppliers in Brazil was employing child labour. Because we had purchased only \$10,000 of materials per year from this company, they had not been classified as a key supplier, so had not yet been through our supplier audit.

Following the allegation, we discussed the matter with the supplier. Although the supplier's managers consistently denied the allegation, they were unable to explain satisfactorily the presence of children on site and we therefore ceased the trading relationship. We have since worked with both the Instituto Ethos and the Instituto Observatório Social to develop a greater understanding of local socio-economic conditions and to strengthen our assessment process. Observatório Social has agreed to review our local supplier assessments to help us identify any other high risk elements in our supply chain.

Objective summary

Supply chain assessments

59% distribution suppliers assessed

Warehouses: 122, Transporters: 191, Toll manufacturers: 98
2010 target: 100% key suppliers assessed at defined frequency
The assessments review policies, procedures and performance, including external certifications and improvement plans.

Supplier assessments

309 key suppliers assessed

2010 target: 100% key suppliers assessed at defined frequency
The assessments review policies, procedures and performance, including external certifications and improvement plans.

Customer projects

111 customer projects recorded

2010 target: develop programme of customer projects
Projects with the prime objective of improving product stewardship performance of the product – from raw materials used, through manufacturing activities to use and final disposal.

Broader supplier assessment

75% materials used by Quest covered in pilot

2006 target: Broaden social criteria
The pilot assessment includes criteria based on the ten principles of the UN Global Compact.

Procurement code – behind target

2006 target: new code in place
The purpose of the code is to give guidance to suppliers and those involved in our purchasing processes.

Life Cycle Analysis

Sustainability Challenge 2010 sees the inclusion for the first time of product innovation objectives. Although product stewardship issues have been addressed in the past and Life Cycle Analysis (LCA) exercises have been undertaken on generic product ranges, we are now aiming to achieve a more consistent approach to assessing new product development and process improvements. The case study summarises work carried out in 2006.

Sustainable products

Reflecting our commitment to manufacturing and selling only those products that can be produced, transported, stored, used and disposed of safely, we plan to monitor the 'sustainability' of our products, focusing on the raw materials used and new product sales which have a beneficial sustainability impact. Work is still continuing on determining the appropriate metrics and measurement process.

An example of these product developments is National Starch's 'EASY-PAK' adhesives solution launched in 2005 and developed for case and carton sealing applications in a range of sectors. The system combines the lowest temperature general packaging hot melt on the market with a hands-free operation that ensures improved uptime, efficiency and employee safety. Because it has an operating temperature 150°F lower than traditional 350°F hot melts, 'EASY-PAC' adhesive reduces the risk for operator and maintenance staff, and reduces the energy required in the operation.

In the Paints business the work on the Streamlined Life Cycle Analysis (SLCA) process helped Paints and their partners to win a significant grant from the UK Department for Trade and Industry for a three year 'Zero Emissions' project. The project is investigating opportunities to eliminate waste and emissions across the paint supply chain. After just six months, reductions in liquid waste have already been implemented, new opportunities to replace solvent based paints have been identified, and ways to deliver in bulk and reduce packaging waste are being trialed.

Product stewardship audits

Since 1998 we have carried out annual assessments of our business units to assess compliance with mandatory product stewardship standards set out in Responsible Care Management System and to identify areas for improvement. Up to 2005, average scores across units improved from 62% to 85% over this period.

During 2005, we upgraded the methodology underlying the assessment process. It now sets higher standards and produces a more comprehensive picture, incorporating both management systems and operational outcomes. In 2006, 99% of required assessments were completed with an average score across all the businesses of 71%. Because of the assessment changes that have been made, scores are no longer comparable with previous years, so the 2006 figure will become our new baseline. Our target is to achieve continuous improvement in each of our operating business entities (OBEs).

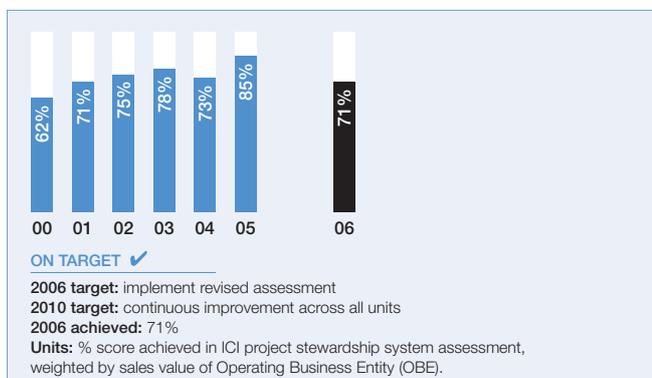
Life Cycle Analysis

During 2006, ICI Paints in Slough introduced a Streamlined Life Cycle Analysis (SLCA) tool which is now being used to build sustainability development into all their new product and process innovations.

Based on the internationally recognised Natural Step Framework for Sustainable Development, the SLCA tool was developed in conjunction with UK sustainability group Forum for the Future with funding from the UK's Department of Trade and Industry and implemented in close collaboration with Carillion Building, one of our major UK trade customers. Able to determine some 80% of a product's sustainability benefits and impacts in a fraction of the time and cost of a full-blown LCA, SLCA offers significant potential for application across all other ICI businesses.

Objective summary

Product stewardship assessments



During 2005, we updated the methodology underlying the assessment process in order to produce a more comprehensive picture incorporating both management systems and operational outcomes. The first graph shows historic performance, the second performance using the updated assessment.

Sustainable products metrics being defined

Life Cycle Analysis Streamlined LCA process developed and piloted in Paints

Our external relationships

In 2006 we took a major step forward in our engagement with stakeholders by creating a Stakeholder Review Group to provide external feedback and input to our sustainability thinking. In addition, we retained our placing on the Dow Jones Sustainability Index.

Community involvement

It is our ambition that ICI should be a corporate role model and build long-term relationships, founded on mutual trust and advantage, with stakeholders in the communities in which we operate. We continue to focus our community activity on education, social and healthcare, and environmental projects, areas where our products, skills and knowledge can benefit the wider community.

A feature this year has been education liaison with a scientific theme. In South Africa, 60 students from a local secondary school visited the Wadeville manufacturing facility to learn about National Starch's science and technology and related career opportunities. In Holland, employees of Acheson Industries designed a programme to promote an interest in chemistry among young students at local primary schools. The Natural Polymers Group in North Kansas City, USA, ran workshops enabling science teachers across Missouri to exchange information on environmental issues with the chemical industry and the State Department of Natural Resources.

Overall, giving and volunteering were both down from 2005. Last year the natural disasters in Asia and North America led to spontaneous, generous giving of time and money, so a reduction in 2006 was to be expected. Also for the first time since community data collection started, there has been a reduction in reporting -104 sites in 2006, down 20% from 2005. We believe this is a reflection of changes in personnel and an evolving reporting process, rather than an indication of no activity.

Cash donations were £2,04m (2005: £2.93m) of which £1.72m was from the company and the balance from employee fundraising. Donations in kind totaled £0.26m (2005: £0.13) nearly all paint. Reported volunteer time on company supported projects totaled about 17,300 hours (2005: 24,350 hours) of which more than 10,700 hours were on company time.

The measure we use to give a view of the real value of our community involvement is 'equivalent' hours and value – based on local employment costs. This takes account of the fact that US\$1 donated in Asia has more effect than the same amount donated in the US. The total equivalent value of donations and volunteering was £2.53m (2005: £3.31m) or about 172,500 equivalent hours – about 0.8 working days (2005: 1.1 days) for each employee.

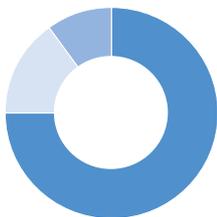
Shared learning

Since 1998, ICI Argentina's Wine Specialty Chemicals business has been growing a small forest of some 100,000 eucalyptus trees on an 80 hectare piece of land, irrigated with liquid effluent from the plant. The natural salinity of the soil in the area makes for difficult growing conditions, so the site's employees decided to share their environmental experience with their neighbours.

The site hosts regular visits from student groups from nearby schools keen to learn about the ecology of the forest, the effluent re-use project and other related schemes. And site staff have now developed a special curriculum with the local school covering the theory and practice of basic environmental stewardship, ecosystems and biodiversity, which complements the academic study. There are plans to extend the project in 2007 with new topic areas.

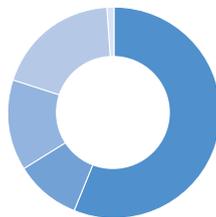
Objective summary

Community impact



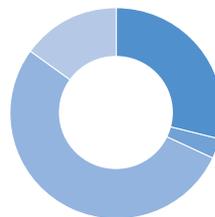
- 75% Cash
- 15% In-kind
- 10% Volunteering

Community impact – by region



- 62% N America
- 11% L America
- 15% Europe
- 21% Asia Pacific
- 1% Other

Community impact – by organisation type



- 29% Education
- 3% Environment
- 53% Health & welfare
- 15% Other

Community involvement

5.9 equivalent hours per employee

External complaints

150 justified complaints from the public

2006 achieved: 172,500 equivalent hours (2005: 275,000)

Units: equivalent hours donated.

The 'equivalent hours' measure provides a view of the local value of our community involvement. We convert the cash or 'in-kind' values of donations to hours based on local employment costs and add this to the employee volunteer hours.

Other external stakeholders

Details of the Stakeholder Review Group are given on page 4. In addition, we continued to develop our relationships with other stakeholder groups, for many of whom sustainability is becoming an increasingly important issue.

Customers

Increasing numbers of customers are asking ICI to complete supplier assessments to confirm that we are working to appropriate ethical, social and environmental standards. Where this is beneficial to both parties, this relationship develops to real dialogue and practical projects on sustainability issues. We have held discussions with a number of our key customers.

Investors and analysts

For some investors, a strong record on sustainability is seen as an indicator of good management, particularly in regard to risk management. We have added sustainability aspects into our strategic objectives and will report on these at routine investor presentations and meetings. During 2006 we have provided data on climate change activities for a number of analysts and answered queries on a range of topics including supply chain issues and REACH, the new European Union chemical industry regulations. We are planning a full briefing for Socially Responsible Investment (SRI) analysts in 2007.

We are pleased to report that we have maintained our position on the Dow Jones Sustainability Index and the FTSE4Good listing. We were also involved in the consultation process to develop the new climate change requirements for the FTSE4Good index.

Universities and research organisations

In order to maintain and extend our science base, we continue to forge formal and informal links with a number of institutions internationally, guided by our Science Advisory Board.

Sustainability organisations

Throughout the year, we continued to develop our links with several sustainability organisations, in particular, Forum for the Future, Earthwatch and the Cambridge Programme for Industry. We have been carrying out significant projects with Forum for the Future on streamlined life cycle analysis and product stewardship. We have had discussions with a number of groups with a view to investigating 'low carbon' options and a sustainability footprinting project covering our operations and products.

In November the Group VP Sustainability visited a number of non governmental organisations in Brazil to follow up the allegations of child labour in the supply chain. The authors of the original report, Instituto Observatório Social, have agreed to work with us to further develop our supplier risk assessment process and help evaluate the results of the supplier assessments.

Government bodies and trade associations

We do not employ in-house government advisors or lobbyists. Where there are issues of industry concern, we normally work through the appropriate trade association or take part in multi-stakeholder groups, for example the Round Table on Palm Oil.

Recognition

Corporate Governance:

In February 2007, ICI won an award for the presentation of its strategy and business objectives in the 2005 Annual Report from the UK-based Strategic Planning Society. The award recognises ICI's 'highly articulate, complete discussion and evaluation of strategy', particularly the company's 2003-2007 strategic plan.

Investors:

We retained our place on the Dow Jones Sustainability Index (both Global and STOXX) and FTSE4Good listings; and Best in Class status from Storebrand, the Norwegian investment house.

Health and Safety:

National Starch Specialties (Shanghai) Ltd. was awarded an Excellent Safety Performance Award for 2005 by the Song Jiang Industrial Government in Shanghai. In Korea, Dongsung NSC won a Safety Culture Award from the City of Busan – recognising citizens and companies that demonstrate excellent safety records and practices.

Responsible Care:

ICI Paints Stowmarket site won the prestigious British Coatings Federation Care Award. The award judges particularly commended the comprehensive and effective Health, Safety and Environmental management systems as well as a range of initiatives including an effective potential hazard and near miss reporting/action scheme and energy, water and waste reduction programmes.

Security:

The 2006 SC Magazine European award for best security implementation has been awarded to ICI for its internal vulnerability scanning project.

Customers:

ICI businesses won awards or recognition for quality, service and innovation from customers including Wella, Lance, Coca Cola, Estee Lauder and Procter & Gamble.

Innovation:

Procter & Gamble's Beauty Care business recently recognised National's Personal Care group for their technical knowledge – linked to consumer needs – and ability to execute by awarding them P&G's Innovation Award for Deep Technical Mastery.

External complaints

During 2006, there were 167 complaints from the public. 150 were found to be justified, of which 89% related to odour generated by a single site. The site issues were first identified in 2005, since when two abatement processes have been trialed. One of these, involving a regenerative thermal oxidation unit has proven successful, and a capital expenditure proposal has been submitted. The problems this year were exacerbated by a warm summer and an unusual wind direction causing the odour to concentrate over a built-up area.

Sustainability performance data

The data in this table is as reported at the end of each year – not adjusted for changes in portfolio.

	Target	2000	2004	2005*	2006*	
BUSINESS OPERATIONS – FINANCIAL						
Sales	£million	6,415	5,601	5,812	4,845*	
Operating profit	£million	617	479	550	502*	
Dividends (from cash flow)	£million	232	86	91	96	
Taxation (from cash flow)	£million	104	44	85	85	
R&D investment	£million	157	147	147	88*	
Total employee salaries	£million	1,001	893	886	863	
Return on Capital Employed		7.8%	7.6%	13.5%	18.3%*	
BUSINESS OPERATIONS – COMPLIANCE						
Prosecutions and fines (Product, SHE)	Number	5	11	9	8	
Unplanned releases outside site boundary	Number	16	5	4	4	
Management audits	Number	–	–	–	81	
Cross business auditor	Number(%)	✓	–	–	26(32%)	
External participation	Number(%)	–	–	–	20(25%)	
EMPLOYEES AND HEALTH & SAFETY						
Employees (average in year)		45,930	33,820	32,530	29,410	
Health & Safety						
Employee fatalities		2	1	1	0	
Contractor fatalities		1	1	0	2	
Employee/ supervised contractor TRC	/200000hrs	✓	1.4	0.97	0.79	
Independent contractor TRC	/200000hrs	✓	–	0.77	0.64	
Motor vehicle incident rate	/1000000miles	–	–	3.6	3.0	
Distribution incidents	Number	20	4	26	30	
Distribution incident rate	/bn GBP sales value	✓	–	–	5.6	
Other employee issues						
Management gender diversity	% women	–	14.6	15.0	15.9	
Management ethnic diversity (N America only)	% minority	–	8.9	10.3	10.2	
Management nationality diversity (non-US/UK/NL)	% minority	–	50.5	51.4	53.3	
Performance assessments all staff (management)	% all staff	–	–	–	53%(90%)	
Employee survey within last three years	% all staff	✓	95%	96%	87%	
ENVIRONMENTAL PERFORMANCE						
Climate change						
Energy use	GJ	43,296,830	35,683,848	32,745,833	26,361,581	
	GJ/te	✓	6.43	5.26	5.19	4.68
Renewable energy	%	1.0%	2.3%	3.0%	3.8%	
Greenhouse gases – CO ₂ (e)	Te	3,797,783	2,351,807	2,120,544	1,800,169**	
	kg/te	✓	564	347	336	320**
Ozone depleters – CFC11(e)	Te	3.70	0.04	0.05	0.04	
	kg/te	0.00	0.00	0.00	0.00	
Ozone generators (incl VOC) – ethylene(e)	Te	4,254	1,609	1,098	1,063	
	kg/te	0.632	0.237	0.174	0.189	
Land impacts						
Hazardous waste	Te	31,267	22,618	21,613	15,753	
	kg/te	✓	4.64	3.34	3.42	2.80
Non-hazardous waste	Te	679,879	598,662	574,738	546,495	
	kg/te	✓	101	88	91	97
Land survey Stage1 within last five years	% total	–	86%	86%	78%	
Biodiversity projects	projects	–	7	13	16	
Air impacts						
Hazardous substances – benzene(e)	Te	374	158	106	17**	
	kg/te	✓	0.055	0.023	0.017	0.003**
Acid gases – SO ₂ (e)	Te	9,893	7,909	6,849	6,563	
	kg/te	✓	1.47	1.17	1.09	1.17
Water impacts						
Water consumption	m ³	106,050,710	35,818,315	32,959,371	24,083,716	
	m ³ /te	✓	15.7	5.52	5.22	4.28
Aquatic Oxygen Demand (AOD)	Te	23,334	6,333	5,329	4311	
	kg/te	✓	3.47	0.93	0.84	0.77
Production						
	Te	6,678,640	6,779,167	6,310,413	5,628,885	
CUSTOMERS AND PRODUCT SUPPLY CHAIN						
Product stewardship assessment score	%	✓	62%	73%	85%	71%***
Customer projects	Number	✓	–	–	–	111
Key supplier/supply chain assessments (verified)	Number	✓	–	332 (69)	402 (280)	720
EXTERNAL RELATIONSHIPS						
Total cash donations (from company)	£million	–	2.07(1.83)	3.07(2.28)	2.04 (1.72)	
In-kind donations (from company)	£million	–	0.55(0.25)	0.14(0.13)	0.26 (0.26)	
Total volunteer hours (in company time)	1000 hours	–	29.5(20.9)	27.8(15.3)	17.3 (10.7)	
Equivalent total community investment	Hrs/employee	–	4.9	8.4	5.9	
Total company community investment	%profit	–	0.6%	0.6%	0.5%	
Complaints (justified)	Number	172 (126)	106(94)	76(61)	167(150)	

All data as reported at each year end. See 'About our data' for an explanation of the Challenge period base line processes.

* From 2005, financial accounts were prepared in accordance with International Reporting Standards (IFRS); all previous years under UK GAAP. See ICI Annual Report 2005 for data comparisons. Some data for 2006 is for 'ongoing operations' only. See ICI Annual Report 2006.

** There have been changes to burden factors for Greenhouse gases and Hazardous substances to air which have altered the 2006 'equivalent' data. See 'About our data' on the website.

*** Revised assessment in 2006 – results not comparable.

About our data

Environmental burden

ICI handles and processes many different materials. If released, each may have an impact on the environment. To create a measure of ICI's overall environmental impact, we group emissions of individual substances into six categories of 'environmental burden':

- Global warming
- Photochemical ozone creation
- Ozone depletion
- Aquatic oxygen demand
- Hazardous air emissions
- Acidity to air (acid gases)

We have reviewed the burden factors used for individual substances in line with international standards, and have incorporated some changes for Greenhouse gases and Hazardous air emissions into the 2005 baseline and 2006 data. Full details are included in 'About our data' on the website.

Adjustment for product mix

Our Sustainability Challenge 2010 objectives are based on percentage reductions from the 2005 burden values per tonne of production. We have a diverse and changing product portfolio so a simple percentage change in a measure of impact per tonne of production could be a misleading guide to performance: the difference might have been due solely to changes in the quantities of individual products manufactured. So each year we report the percentage change from the baseline year (2005) adjusted to the current year's product mix. This more accurately reflects the actual changes in our performance.

Portfolio changes and 2005 baseline

Changes in our overall business portfolio can also distort trends when measurements are being compared with the 2005 baseline (for the % improvement/reduction targets).

So when we acquire a business we adjust the baseline by adding its data retrospectively to the 2005 figure. In subsequent years, its data is treated in the same way as data from other parts of the ICI Group. If we sell a business or part of a business, its data is removed from the baseline and subsequent years. But if a site is closed, we make no changes to the baseline.

While we make these adjustments to the baseline when we report our performance for the current year, we do not adjust the reported performance for the years already reported.

Historic performance

We report our progress against five year Challenge targets, but we recognise that this does not give a picture of the overall improvement achieved since 1990. So we have incorporated some additional information into this report:

- **Overall footprint** We publish a diagram showing the percentage change in absolute tonnes of burden at the end of each Challenge period. This is not adjusted for portfolio changes across Challenge periods.
- **2000 performance** The progress graphs now show the 2000 level as well as the current Challenge period. This data is based on the performance improvement achieved during the Challenge 2005 period, with the 2005 portfolio, but has not been adjusted for subsequent changes in portfolio.

Verification statement

Enviros Consulting Ltd has conducted an independent verification of ICI's 2006 Sustainability Review to provide assurance on the completeness and accuracy of the quantitative and qualitative data and information presented in the review. This statement is a summary of our full verification statement which details the responsibilities, quality assurance and verification process on the ICI website.

We are confident that the qualitative and quantitative data and information in the report are materially accurate and complete and that together these represent a balanced account of ICI's sustainability performance during 2006. We did find however, that the process for collecting and collating community involvement data is in the early stages of development and could be more robust. This is the first year that we have been asked to verify qualitative data within the report and we feel this is an important step in providing greater assurance to ICI's stakeholders.

In the last year ICI has strengthened its commitment to sustainability through the introduction of 'The ICI Way' and has continued to progress against most of its Sustainability Challenge targets. The areas requiring more focus are water use reduction, injury and illness for contractors and development of a procurement code.

The Global SSHE Performance System continues to be developed and this has greatly assisted in delivery of improvements in the consistency and accuracy of data reporting across this diverse business. This system could be further enhanced and developed as a vehicle for capturing additional datastreams as ICI's reporting scope expands. We were pleased to see that for the one business where environmental data has traditionally been input at business level there has been an increase in the amount of environmental data entered at a site level. It was also noted that more sites are now populating the system with 'live' environmental data - the normal practice for health and safety data - rather than entering data once or twice a year. This suggests improved local ownership of data and nurtures a culture of continuous improvement throughout the business.

ICI have considered the value of providing disaggregated data for each of the ICI businesses but this has not been requested by their stakeholders to date.

The Sustainability Challenge 2010 includes extensions of many of ICI's earlier targets for its key environmental, health and safety and product stewardship issues. Most noticeable, however, is the greater focus given to ICI's wider sustainability issues, many of which lie outside its direct control. Issues such as supply chain management, customer projects and demonstrating responsiveness to varying stakeholder's concerns and interests are becoming mainstream in corporate reporting and will present important challenges to ICI's businesses.



Rachell Evans
Project Manager



Rachel Pickering
Project Director



Printed in Great Britain on paper Certified as a FSC mixed sources grade containing 50% recovered waste and 50% virgin fibre and produced at a mill which has been certified to ISO 14001 Environmental Management Standard.

Copyright: Imperial Chemical Industries PLC
Design: Corporate Edge Print: St Ives Westerham Press



leadership in formulation science